MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BLE2074 – LABOUR ECONOMICS

(All sections / Groups)

26 OCTOBER 2017
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **THREE (3)** printed pages with **FIVE (5)** structured questions.

2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

ANSWER ALL FIVE STRUCTURED QUESTIONS (100 MARKS)

Question 1

(a) "Empirical studies reveal that wage elasticity of labour supply for women exceeds that for men." Comment on this statement and explain the reasons.

(8 marks)

(b) For Becker's allocation of time model, explain the rationale for an upward sloping labour supply curve in terms of income and substitution effects.

(7 marks)

(c) Assume that you have been hired by Company Y to do a satisfaction survey of its workers, whom the company suspects are underemployed. Given the company's desire to maximise employee's satisfaction,

(i) What definition of underemployed would you apply in this situation?

(2 marks)

(ii) Using the basic work-leisure model diagram, how would you identify whether the workers are underemployed?

(3 marks)

(Total: 20 marks)

Question 2

(a) In what sense can migration be interpreted as investment in human capital?

(4 marks)

(b) Women obtain lower amounts of education, on average, than men of equal ability. What theories of human capital help to explain this phenomenon?

(4 marks)

(c) From a social perspective, discuss **FOUR (4)** benefits associated with investment in human capital.

(8 marks)

(d) Increase in productivity through investment in human capital is one of the determinants of labour demand. Discuss another **TWO (2)** determinants of labour demand.

(4 marks)

(Total: 20 marks)

Continued...

Question 3

(a) People have differing time preferences and nonwage aspects of jobs that contribute to wage differentials. Discuss by giving an example for each.

(6 marks)

(b) Under some circumstances, employers may find it profitable to pay wages above market-clearing levels. Explain this wage differentials resulting from efficiency wage payments.

(4 marks)

(c) In some situations, labour supply adjustments are less rapid than the standard supply and demand model of the labour market suggests. Hence, this creates a situation where there is a shortage and surplus of labour which may take several years. With the help of a diagram, discuss how this situation happens according to the Cobwel model.

(10 marks)

(Total: 20 marks)

Question 4

Read the following passage:

"Nufam: Rehire MAS staff or we will strike"

PETALING JAYA: An employees union is threatening a strike if Malaysia Airlines (MAS) does not retract the termination letters it served on 6,000 of its staff. The National Union of Flight Attendants (Nufam) said it was giving MAS 48 hours as of Tuesday to recall its termination letters and re-hire these workers.

"If the above conditions are not met within 48 hours, employees affected will all undergo tools-down campaign against the airline throughout and continuously will protest against Malaysia Airlines," said Nufam president Ismail Nasaruddin. He said this protest would continue until "fruitful results" were met.

Nufam claims to represent some 3,500 MAS staff. Malaysia Airlines, which is being restructured, has served termination notices to 20,000 of its staff. However, some 6,000 of them will not be re-hired when the carrier becomes Malaysia Airlines Berhad from Sept 1. "Down tools" is British slang which means "stop working".

Ismail said the union wanted MAS to renegotiate the terms it sent to its staff. He advised MAS to re-hire its employees and offer to them a voluntary separation scheme (VSS) instead of merely terminating them.

Source: Patrick Lee (June 9, 2015). The Star Online.

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Answer the following questions:

(a) Malaysian constitution guarantees the rights of all Malaysians to form and join a trade union although there are several restrictions imposed by the laws. Explain **TWO (2)** conditions that make workers choose to join a labour union.

(4 marks)

(b) Based on the passage, the union prefers the efficient contracts model as compared to monopoly union model. Do you agree? Explain by distinguishing between efficient contracts model and monopoly union model.

(10 marks)

(c) From the economists point of view, is the threat of a strike the best solution for both the firm and the union? Discuss.

(6 marks)
(Total: 20 marks)

Question 5

(a) Discuss the **FOUR (4)** types of discrimination.

(10 marks)

(b) Some economists argue that much of women's economic disadvantage is basically the result of rational and freely rendered decisions by women. Discuss.

(10 marks)
(Total: 20 marks)

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